PHILIP MORRIS U.S.A.

INTER-OFFICE CORRESPONDENCE

LEAF BLENDING GROUP

RICHMOND, VIRGINIA

To: Mr. W. K. Riggan

Date: February 3, 1993

From: O. Miller Buchanan

Subject: **PROJECTS - 1993**

1. **Deep Discount Brands**
   March 1, 1993 - Adjust blend to reduce cost but retain subjective advantage versus Monarch.

   - Monitor inventories of grades for this blend and work with buyers to maintain durations through selection of suitable purchases.

   - Seek opportunities to further reduce costs/increase competitive advantage. Currently, inclusion of ET and/or stem distillation are being evaluated.

   - Update and utilize Competitive Analysis to monitor competitors' brands.

2. **Technology Assimilation**
   March 31, 1993 - Assist in the evaluation of the Hauni Steam Tunnel to determine if increased filling power or improved subjectives can be achieved.

   Investigate the effects of higher stem level targets to determine of they will result in improved stemmery yields.

3. **Off-Shore Inventory** - Ongoing
   Establish Inventory System which will enable the purchase and the usage of small tobacco lots in a systematic and controllable manner. The nature of this type of usage affords considerable cost savings, but alternatively lends itself towards fluctuation in delivery and subjective character. The system must allow for frequent changes balancing usage for uniformity.

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